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**1981/06/04**

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SECRETARY'S TALKING POINTS: US-CHINA RELATIONS

Objective: To convey a new conceptual basis for a more durable US-Chinese relationship built upon strategic association, under which the US will treat China as a friendly non-allied country, and to demonstrate this concretely by modifying restrictive legislation and regulations on export controls.

STRATEGIC ASSOCIATION

6 -- SINCE NORMALIZATION, OUR RELATIONSHIP HAS EXPANDED IN  
7 VIRTUALLY EVERY FIELD.

5 -- OUR BILATERAL TRADE MAY EXCEED \$6 BILLION THIS YEAR.  
U WE HAVE CONCLUDED AGREEMENTS IN THE FIELDS OF TEXTILES,  
U CIVIL AVIATION, MARITIME COMMERCE, INVESTMENT INSURANCE,  
1 EXPORT FINANCING, AND CONSULAR RELATIONS.

3 -- OUR SIMILAR STRATEGIC PERSPECTIVES HAVE LED TO A CLOSE  
U STRATEGIC RELATIONSHIP STRENGTHENED BY REGULAR AND CANDID  
U CONSULTATIONS. OUR POLICIES ARE COMPATIBLE AND COMPLEMEN-  
3 TARY IN MANY AREAS.

-- AS PRESIDENT REAGAN TOLD AMBASSADOR CHAI, WE VALUE ALL  
THESE ASPECTS OF US-CHINA RELATIONS AND LOOK FORWARD TO  
STRENGTHENING TIES ON THE BASIS OF OUR MUTUAL STRATEGIC  
INTERESTS. WE ARE PLEASED AT THE OVERALL DEVELOPMENT OF US-  
CHINA RELATIONS.

-- US NATIONAL INTERESTS DEMAND THAT OUR RELATIONS CONTINUE  
TO BE CLOSE AND WE BELIEVE THEY WILL. WE HAVE MANY REASONS

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DEPARTMENT OF STATE

IS/FPC/CDR TRB Date: 12/5/96

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TO BE FRIENDS.

-- PRESIDENT REAGAN BELIEVES THAT US POLICY TOWARD CHINA SHOULD REFLECT THE FRIENDLY AND COOPERATIVE NATURE OF OUR RELATIONSHIP.

-- YOU ARE AWARE THAT A NUMBER OF OUR LAWS, MANY OF WHICH WERE FIRST ADOPTED IN THE 1950S, TREAT CHINA IN THE SAME MANNER AS THE SOVIET UNION AND ITS SATELLITES. THESE LAWS ARE NOT CONSISTENT WITH OUR CURRENT RELATIONSHIP AND IMPEDE STRENGTHENING OUR STRATEGIC COOPERATION. PRESIDENT REAGAN INTENDS TO PROPOSE TO CONGRESS THAT THESE LAWS BE AMENDED TO MAKE CLEAR THAT WE DO NOT CONSIDER CHINA A POTENTIAL ADVERSARY AND TO REMOVE LEGAL IMPEDIMENTS TO OUR FURTHER COOPERATION.

EXPORT CONTROL POLICY

-- WE HAVE A STRONG INTEREST IN THE SUCCESSFUL MODERNIZATION OF CHINA'S ECONOMY.

-- THE PRESIDENT BELIEVES THAT INCREASING THE LEVEL OF US TECHNOLOGY TRANSFER TO CHINA CAN CONTRIBUTE IN IMPORTANT WAYS TO CHINA'S MODERNIZATION PROGRAM.

-- HE HAS ISSUED A DIRECTIVE SUBSTANTIALLY INCREASING THE LEVEL OF TECHNOLOGY WHICH WILL BE ROUTINELY APPROVED FOR SALE TO CHINA. HENCEFORTH OUR POLICY WILL BE MORE REFLECTIVE OF OUR INTENTION TO TREAT CHINA AS A FRIENDLY, NON-ALLIED STATE.

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-- AS A RESULT OF THE PRESIDENT'S ATTENTION TO THIS ISSUE, WE WILL HAVE MORE FAVORABLE AND EXPEDITIOUS LICENSING OF HIGH-TECHNOLOGY EXPORTS TO CHINA.

MILITARY EXPORTS

-- OUR COOPERATION IN THE SECURITY FIELD CAN HELP TO MAINTAIN PEACE AND STABILITY IN ASIA.

-- I WOULD LIKE TO TELL YOU THAT PRESIDENT REAGAN INTENDS TO SUSPEND THE PROHIBITION ON ARMS SALES TO CHINA EMBODIED IN OUR ARMS CONTROL LEGISLATION AND CONSIDER ON A CASE-BY-CASE BASIS REQUESTS TO EXPORT MUNITIONS LIST ARTICLES TO CHINA. THIS IS THE PROCEDURE WE FOLLOW WITH ALL FRIENDLY COUNTRIES.

-- DEFENSE SECRETARY WEINBERGER HAS ASKED ME TO INVITE YOU TO SEND A REPRESENTATIVE, PERHAPS VICE CHIEF OF THE PLA GENERAL STAFF LIU HUAQING, TO THE US LATER THIS SUMMER TO DISCUSS IN GREATER DETAIL EXACTLY WHAT TYPES OF EQUIPMENT AND TECHNOLOGY YOU NEED IN THE NEAR FUTURE TO IMPROVE YOUR DEFENSES AGAINST THE SOVIET THREAT.

-- WE WOULD INTEND THIS ASPECT OF OUR RELATIONSHIP TO BEGIN SLOWLY AND EXPAND GRADUALLY AS WE PURSUE OUR LONG-TERM STRATEGIC ASSOCIATION.

-- I AM SURE YOU UNDERSTAND HOW SENSITIVE THIS ISSUE IS IN THE US AND AMONG OUR ALLIES AND FRIENDS. IT IS ESSENTIAL THAT OUR DISCUSSIONS ON THIS SUBJECT REMAIN PRIVATE FOR THE TIME BEING. WE WILL NEED TIME TO CONSULT FULLY WITH THE CONGRESS

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AND OUR ALLIES.

CHINESE MILITARY AND NUCLEAR EXPORTS

-- AS YOU KNOW, THE SOVIET UNION HAS USED MILITARY EQUIPMENT EXPORTS TO EXPAND ITS INFLUENCE IN MANY THIRD WORLD NATIONS.

-- THE US AND CHINA SHARE AN INTEREST IN REDUCING OTHER NATIONS' DEPENDENCE ON THE SOVIET UNION AS A SOURCE OF MILITARY EQUIPMENT.

-- CHINA IS UNIQUE AMONG NON-WARSAW PACT NATIONS IN THE RANGE OF SOVIET-COMPATIBLE EQUIPMENT IT MANUFACTURES.

-- THE US WOULD WELCOME CHINESE ARMS SALES TO COUNTRIES CURRENTLY DEPENDENT ON THE SOVIET UNION FOR MILITARY EQUIPMENT.

-- AT THE SAME TIME, IT IS IMPORTANT THAT MILITARY EXPORTS NOT BE DIVERTED TO COUNTRIES SUPPORTING TERRORISM OR ENGAGING IN DESTABILIZING REGIONAL CONFLICTS. THIS WOULD ONLY HELP THE SOVIETS.

-- WE ARE CONCERNED ABOUT THE POSSIBILITY OF CHINESE EXPORTS OF SENSITIVE NUCLEAR MATERIALS WITHOUT SECURING ADEQUATE SAFEGUARDS.

-- WE HAVE RECEIVED REPORTS OF CHINESE EXPORTS OF URANIUM AND HEAVY WATER TO SOUTH AFRICA AND ARGENTINA. IF NOT PROTECTED BY SAFEGUARDS, THESE AND SIMILAR EXPORTS ELSEWHERE COULD CONTRIBUTE TO THE SPREAD OF NUCLEAR EXPLOSIVES, UNDERMINING REGIONAL STABILITY AND DAMAGING OUR SHARED STRATEGIC INTERESTS.

-- FOR EXAMPLE, A PAKISTANI NUCLEAR TEST COULD PROMPT INDIA TO

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RESUME NUCLEAR TESTING AND PRODUCE NUCLEAR WEAPONS. WE ALSO BELIEVE SUCH TESTING WOULD ERODE, RATHER THAN INCREASE PAKISTAN'S SECURITY. THE SOVIET UNION MIGHT WELL USE THE ISSUE AS A PRETEXT TO TIGHTEN MILITARY COOPERATION WITH THE INDIANS AND TO DEPLOY MORE THREATENING FORCES ALONG THE AFGHANISTAN-PAKISTAN BORDER.

-- I URGE YOU TO CONSIDER CAREFULLY ALL EXPORTS OF SENSITIVE NUCLEAR MATERIALS AND TO REQUIRE THAT PURCHASERS UNDERTAKE IAEA SAFEGUARDS SO THAT SUCH MATERIAL WILL BE USED ONLY FOR THE PEACEFUL PURPOSES FOR WHICH IT IS INTENDED, INCLUDING AN ASSURANCE THEY WILL NOT BE USED FOR "PEACEFUL NUCLEAR EXPLOSIONS".

-- WE ARE PREPARED TO MAKE OUR EXPERTS AVAILABLE TO EXPLAIN THE PROCEDURES WE EMPLOY IN DESIGNING ADEQUATE SAFEGUARDS.

#### US-CHINA NUCLEAR COOPERATION

-- WE WOULD LIKE TO PERMIT THE US NUCLEAR INDUSTRY TO PARTICIPATE IN CHINA'S DEVELOPMENT OF PEACEFUL NUCLEAR POWER.

-- SOME US FIRMS ARE INTERESTED IN PARTICIPATING IN THE GUANGDONG REACTOR PROJECT.

-- SUCH COOPERATION WILL REQUIRE DISCUSSIONS BETWEEN OUR TWO GOVERNMENTS TO ESTABLISH A FRAMEWORK FOR THIS ASPECT OF OUR RELATIONS.

-- I UNDERSTAND THAT INFORMAL EXPLORATORY TALKS ARE TENTATIVELY PLANNED FOR JULY IN BEIJING. WE SEE THIS AS AN OPPORTUNITY

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FOR A FULL EXCHANGE OF IDEAS AND WE HOPE FOR POSITIVE RESULTS.

RECIPROCITY

-- EQUALITY AND RECIPROCITY ARE MAJOR ELEMENTS OF THE MUTUAL RESPECT THAT CHARACTERIZES OUR RELATIONS.

-- WE WOULD LIKE TO OPEN OUR NEXT CONSULATE IN SHENYANG -- AS CHINA WOULD IN NEW YORK CITY -- BUT FIRST WE MUST RESOLVE THE PROBLEM OF INADEQUATE FACILITIES IN GUANGZHOU.

-- MR. HOLDRIDGE WILL DISCUSS THIS IN GREATER DETAIL LATER WITH VICE MINISTER ZHANG.

CLOSING REMARKS

-- MY PRESENTATION HAS COVERED MANY SUBJECTS. THIS REFLECTS BOTH THE BROAD SCOPE OF OUR RELATIONS AND THE VALUE WE ATTACH TO OUR RELATIONS WITH CHINA.

-- I WOULD WELCOME YOUR COMMENTS ON MY REMARKS.

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